

**REPORT OF THE AUDIT OF THE
CRITTENDEN COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2005**

**ROMAINE & ASSOCIATES, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
www.romaineclark.com**

1011 Paris Road, Suite 341
MAYFIELD, KENTUCKY 42066
TELEPHONE (270) 247-8050
FACSIMILE (270) 247-7749

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CRITTENDEN COUNTY FISCAL COURT

June 30, 2005

Romaine & Associates, PLLC has completed the audit of the Crittenden County Fiscal Court for fiscal year ended June 30, 2005.

The financial statements of the Crittenden County Hospital, Inc., a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Crittenden County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the discretely presented component unit.

We have issued an unqualified opinion, on the governmental activities, business-type activities, and each major fund of Crittenden County, Kentucky.

Financial Condition:

The primary government had net assets of \$29,051,573 as of June 30, 2005. The fiscal court had unrestricted net assets of \$251,994 in its governmental activities as of June 30, 2005, with total net assets of \$29,050,043. In its enterprise fund, total net cash and cash equivalents were \$1,530 with total net assets of \$1,530. The fiscal court's discretely presented component unit had net assets of \$6,590,458 as of September 30, 2005. The discretely presented component units had net cash and cash equivalents of \$1,336,339. The fiscal court had total debt principal as of June 30, 2005 of \$383,736 with \$366,836 due within the next year. The discretely presented component units had total debt principal as of September 30, 2005 of \$1,255,419 with \$553,502 due within the next year.

Deposits:

The primary government and component unit's deposits were insured and collateralized by bank securities or bonds.

CONTENTS

PAGE

| | |
|--|----|
| INDEPENDENT AUDITOR'S REPORT | 1 |
| CRITTENDEN COUNTY OFFICIALS | 3 |
| STATEMENT OF NET ASSETS-MODIFIED CASH BASIS | 5 |
| STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS | 8 |
| BALANCE SHEET - GOVERNMENTAL FUNDS-MODIFIED CASH BASIS | 11 |
| STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS-MODIFIED CASH BASIS..... | 14 |
| RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS..... | 17 |
| STATEMENT OF NET ASSETS-PROPRIETARY FUND-MODIFIED CASH BASIS..... | 19 |
| STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS- PROPRIETARY FUND-MODIFIED CASH BASIS..... | 21 |
| STATEMENT OF CASH FLOWS-PROPRIETARY FUND-MODIFIED CASH BASIS | 23 |
| NOTES TO THE FINANCIAL STATEMENTS | 25 |
| BUDGETARY COMPARISION SCHEDULES | 40 |
| NOTES TO REQUIRED SUPPLEMENTARY INFORMATION | 46 |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 48 |
| APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM | |

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Fred Brown, Crittenden County Judge/Executive
Members of the Crittenden County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, and each major fund of Crittenden County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Crittenden County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Crittenden County Hospital, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Crittenden County Hospital, Inc., is based on the report of the other auditors. Those financial statements reflect 100% of assets and revenues of the discretely presented component unit opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Crittenden County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial statements of Crittenden County Hospital, Inc., a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Crittenden County, Kentucky, uses to prepare its financial statements in that certain accruals to assets, liabilities, revenues, and expenses are made to the financial statements of the Crittenden County Hospital, Inc. that are not recognized under the modified cash basis used in preparing the financial statements of the County.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Fred Brown, Crittenden County Judge/Executive
Members of the Crittenden County Fiscal Court

In our opinion, based on our audit and the report of the other auditors, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Crittenden County Hospital, Inc.'s financial statements been prepared using the same basis of accounting as Crittenden County, Kentucky, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of Crittenden County, Kentucky, as of June 30, 2005, and the changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of Crittenden County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary supplementary information, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 2006 on our consideration of Crittenden County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Krista L. Romaine, CPA

Krista L. Romaine, CPA
Romaine & Associates, PLLC

Audit fieldwork completed -
June 13, 2006

CRITTENDEN COUNTY OFFICIALS

For The Year Ended June 30, 2005

Fiscal Court Members:

| | |
|-----------------|------------------------|
| Fred Brown | County Judge/Executive |
| Helen McConnell | Magistrate |
| Glenn Underdown | Magistrate |
| Percy Cook | Magistrate |
| Greg West | Magistrate |
| Dan Wood | Magistrate |

Other Elected Officials:

| | |
|--------------------|----------------------------------|
| Alan C. Stout | County Attorney |
| Rickey Riley | Jailer |
| Carolyn Byford | County Clerk |
| Madeline Henderson | Circuit Court Clerk |
| Wayne Agent | Sheriff |
| Ronnie Heady | Property Valuation Administrator |
| Terry Gilbert | Coroner |

Appointed Personnel:

| | |
|-------------------|------------------|
| Roberta Shewmaker | County Treasurer |
| Sue Padget | Finance Officer |

**CRITTENDEN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

June 30, 2005

CRITTENDEN COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2005

| | Primary Government | | | Crittenden County Hospital |
|--|----------------------------|-----------------------------|----------------------|-------------------------------|
| | Governmental Activities | Business-Type Activities | Totals | |
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | \$ 251,994 | \$ 1,530 | \$ 253,524 | \$ 1,336,339 |
| Patient Accounts Receivable, Net of Allowance \$534,079 | | | | 1,765,263 |
| Supplies | | | | 416,528 |
| Prepaid Expenses and Other | | | | 446,706 |
| Total Current Assets | \$ 251,994 | \$ 1,530 | \$ 253,524 | \$ 3,964,836 |
| Noncurrent Assets: | | | | |
| Assets Whose Use Is Limited | \$ - | \$ - | \$ - | \$ 639,469 |
| Capital Assets - Net of Accumulated Depreciation | | | | |
| Land and Land Improvements | 112,500 | | 112,500 | |
| Buildings | 2,371,124 | | 2,371,124 | 4,547,156 |
| Other Equipment | 78,616 | | 78,616 | |
| Vehicles and Equipment | 443,691 | | 443,691 | |
| Infrastructure Assets - Net of Depreciation | 26,175,854 | | 26,175,854 | |
| Other Assets | | | | 9,384 |
| Total Noncurrent Assets | \$ 29,181,785 | \$ - | \$ 29,181,785 | \$ 5,196,009 |
| Total Assets | \$ 29,433,779 | \$ 1,530 | \$ 29,435,309 | \$ 9,160,845 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ 273,016 |
| Accrued Expenses | | | | 457,460 |
| Line of Credit | | | | 355,000 |
| Payable To Employees (including payroll taxes and benefits) | | | | 573,114 |
| Current Maturities of Long-Term Debt | 366,836 | | 366,836 | 198,502 |
| Estimated Amounts Due To Third-Party | | | | 11,378 |
| Total Current Liabilities | \$ 366,836 | \$ - | \$ 366,836 | \$ 1,868,470 |
| Noncurrent Liabilities: | | | | |
| Long-Term Debt, Net of Current Portion | \$ 16,900 | \$ - | \$ 16,900 | \$ 701,917 |
| Total Noncurrent Liabilities | \$ 16,900 | \$ - | \$ 16,900 | \$ 701,917 |
| Total Liabilities | \$ 383,736 | \$ - | \$ 383,736 | \$ 2,570,387 |

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CRITTENDEN COUNTY
 STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
 June 30, 2005
 (Continued)

| | Primary Government | | Totals | Crittenden County Hospital |
|--|----------------------------|-----------------------------|----------------------|-------------------------------|
| | Governmental Activities | Business-Type Activities | | |
| NET ASSETS | | | | |
| Invested in Capital Assets, Net of Related Debt | \$ 28,798,049 | \$ | \$ 28,798,049 | \$ 3,646,736 |
| Unrestricted | 251,994 | 1,530 | 253,524 | 2,943,722 |
| Total Net Assets | <u>\$ 29,050,043</u> | <u>\$ 1,530</u> | <u>\$ 29,051,573</u> | <u>\$ 6,590,458</u> |

THIS PAGE LEFT BLANK INTENTIONALLY

**CRITTENDEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

CRITTENDEN COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

| Functions/Programs Reporting Entity | Expenses | Program Revenues Received | | |
|--|----------------------|---------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 981,038 | \$ 2,070 | \$ 101,685 | \$ - |
| Protection to Persons and Property | 363,021 | 30,144 | 46,927 | - |
| General Health and Sanitation | 103,575 | | 124,540 | - |
| Social Services | 400 | | | - |
| Recreation and Culture | 91,507 | | | - |
| Transportation Facilities and Services | 7,483 | | | - |
| Roads | 978,402 | | 1,057,136 | - |
| Other Transportation Facilities and Services | 515,647 | | | - |
| Interest on Long-Term Debt | 21,396 | | | - |
| Total Governmental Activities | <u>\$ 3,062,469</u> | <u>\$ 32,214</u> | <u>\$ 1,330,287</u> | <u>\$ -</u> |
| Business-type Activities: | | | | |
| Jail Canteen | \$ - | \$ - | \$ - | \$ - |
| Total Business-type Activities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Primary Government | <u>\$ 3,062,469</u> | <u>\$ 32,214</u> | <u>\$ 1,330,287</u> | <u>\$ -</u> |
| Component Unit: | | | | |
| Crittenden County Hospital, Inc. | \$ 15,428,336 | \$ 14,844,424 | \$ - | \$ - |
| | <u>\$ 15,428,336</u> | <u>\$ 14,844,424</u> | <u>\$ -</u> | <u>\$ -</u> |
| General Revenues: | | | | |
| Taxes: | | | | |
| Real Property Taxes | | | | |
| Other Taxes | | | | |
| Excess Fees | | | | |
| Unrestricted Investment Earnings | | | | |
| Loss On Investments | | | | |
| Miscellaneous Revenues | | | | |
| Gain on Sale of Equipment | | | | |
| Total General Revenues | | | | |
| Change in Net Assets | | | | |
| Net Assets - Beginning | | | | |
| Net Assets - Ending | | | | |

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
 STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
 For The Year Ended June 30, 2005
 (Continued)

| Net (Expenses) Revenues and Changes in Net Assets | | | |
|--|-----------------------------|-----------------------|-------------------------------|
| Primary Government | | | |
| Governmental Activities | Business-Type Activities | Totals | Crittenden County Hospital |
| \$ (877,283) | \$ | \$ (877,283) | \$ |
| (285,950) | | (285,950) | |
| 20,965 | | 20,965 | |
| (400) | | (400) | |
| (91,507) | | (91,507) | |
| (7,483) | | (7,483) | |
| 78,734 | | 78,734 | |
| (515,647) | | (515,647) | |
| (21,396) | | (21,396) | |
| <u>\$ (1,699,967)</u> | <u>\$ -</u> | <u>\$ (1,699,967)</u> | <u>\$ -</u> |
| | | | |
| \$ - | \$ 802 | \$ 802 | \$ - |
| <u>\$ -</u> | <u>\$ 802</u> | <u>\$ 802</u> | <u>\$ -</u> |
| | | | |
| \$ (1,699,967) | \$ 802 | \$ (1,699,165) | \$ - |
| | | | \$ (583,912) |
| | | | |
| \$ 439,929 | \$ - | \$ 439,929 | |
| 3,879 | | 3,879 | |
| 26,124 | | 26,124 | |
| 15,076 | | 15,076 | 72,815 |
| | | | (558,880) |
| 786,141 | | 786,141 | |
| 11,016 | | 11,016 | |
| <u>\$ 1,282,165</u> | <u>\$ -</u> | <u>\$ 1,282,165</u> | <u>\$ (486,065)</u> |
| (417,802) | 802 | (417,000) | (1,069,977) |
| <u>\$ 29,467,845</u> | <u>\$ 728</u> | <u>\$ 29,468,573</u> | <u>\$ 7,660,435</u> |
| | | | |
| <u>\$ 29,050,043</u> | <u>\$ 1,530</u> | <u>\$ 29,051,573</u> | <u>\$ 6,590,458</u> |

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CRITTENDEN COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2005

| | General Fund | Road And Bridge Fund | Jail Fund | LGEA Fund | E-911 Board Fund |
|---------------------------|-----------------|----------------------------|-----------------|------------------|---------------------|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 2,578 | \$ 70,462 | \$ (210) | \$ 84,942 | \$ 53,169 |
| Total Assets | <u>\$ 2,578</u> | <u>\$ 70,462</u> | <u>\$ (210)</u> | <u>\$ 84,942</u> | <u>\$ 53,169</u> |
| FUND BALANCES | | | | | |
| Unreserved: | | | | | |
| General Fund | \$ 2,578 | \$ - | \$ - | \$ - | \$ - |
| Special Revenue Funds | | 70,462 | (210) | 84,942 | 53,169 |
| Total Fund Balances | <u>\$ 2,578</u> | <u>\$ 70,462</u> | <u>\$ (210)</u> | <u>\$ 84,942</u> | <u>\$ 53,169</u> |

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
 BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 June 30, 2005
 (Continued)

| E-911 Wireless Fund | Total Governmental Funds |
|------------------------|--------------------------------|
| \$ 41,053 | \$ 251,994 |
| <u>\$ 41,053</u> | <u>\$ 251,994</u> |

| | |
|------------------|-------------------|
| \$ - | \$ 2,579 |
| <u>\$ 41,053</u> | <u>249,415</u> |
| <u>\$ 41,053</u> | <u>\$ 251,994</u> |

Reconciliation of the Balance Sheet-Governmental Funds to Statement of Net Assets:

| | |
|--|----------------------|
| Total Fund Balances | \$ 251,994 |
| Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because: | |
| Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds. | 38,647,669 |
| Accumulated Depreciation | (9,465,884) |
| Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds. | |
| Financing Obligations | <u>(383,736)</u> |
| Net Assets Of Governmental Activities | <u>\$ 29,050,043</u> |

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CRITTENDEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

CRITTENDEN COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

| | General Fund | Road And Bridge Fund | Jail Fund | LGEA Fund |
|--|---------------------|----------------------------|---------------------|-------------------|
| REVENUES | | | | |
| Taxes | \$ 430,729 | \$ | \$ | \$ |
| Excess Fees | 26,124 | | | |
| Licenses and Permits | 3,879 | | | |
| Intergovernmental | 101,685 | 1,057,136 | 46,927 | 104,540 |
| Charges for Services | 2,070 | | 30,144 | |
| Miscellaneous | 256,317 | 713,529 | 2,705 | |
| Interest | 5,114 | 8,532 | 50 | 931 |
| Total Revenues | <u>\$ 825,919</u> | <u>\$ 1,779,197</u> | <u>\$ 79,825</u> | <u>\$ 105,470</u> |
| EXPENDITURES | | | | |
| General Government | \$ 312,356 | \$ - | \$ - | \$ 10,000 |
| Protection to Persons and Property | 67,128 | | 230,335 | 2,800 |
| General Health and Sanitation | 61,679 | 29,696 | | 12,200 |
| Social Services | | | | 400 |
| Recreation and Culture | 8,669 | | | 82,838 |
| Transportation Facilities and Services | | 7,483 | | |
| Roads | | 401,138 | | 953 |
| Other Transportation Facilities and Services | | 515,647 | | |
| Debt Service | 3,316 | 217,012 | 11,965 | |
| Capital Outlay | 25,817 | 956,766 | 62,500 | |
| Administration | 480,229 | 52,408 | 33,244 | |
| Total Expenditures | <u>\$ 959,194</u> | <u>\$ 2,180,150</u> | <u>\$ 338,045</u> | <u>\$ 109,191</u> |
| Excess (Deficiency) of Revenues Over | | | | |
| Expenditures Before Other | | | | |
| Financing Sources (Uses) | | | | |
| | <u>\$ (133,276)</u> | <u>\$ (400,953)</u> | <u>\$ (258,219)</u> | <u>\$ (3,720)</u> |
| Other Financing Sources (Uses) | | | | |
| Financing Obligation Proceeds | \$ 100,000 | \$ 361,100 | \$ 62,500 | \$ - |
| Transfers From Other Funds | 279,146 | 89,364 | 195,500 | |
| Transfers To Other Funds | (284,864) | (279,146) | | |
| Total Other Financing Sources (Uses) | <u>\$ 94,282</u> | <u>\$ 171,318</u> | <u>\$ 258,000</u> | <u>\$ -</u> |
| Net Change in Fund Balances | | | | |
| | \$ (38,994) | \$ (229,635) | \$ (219) | \$ (3,720) |
| Fund Balances - Beginning | \$ 41,572 | \$ 300,097 | \$ 9 | \$ 88,662 |
| Fund Balances - Ending | <u>\$ 2,578</u> | <u>\$ 70,462</u> | <u>\$ (211)</u> | <u>\$ 84,942</u> |

The accompanying notes are an integral part of the financial statements.

CRITTENDEN COUNTY
 STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
 For The Year Ended June 30, 2005
 (Continued)

| E-911 Board Fund | E-911 Wireless Fund | Total Governmental Funds |
|---------------------|------------------------|--------------------------------|
| \$ 9,200 | \$ | \$ 439,929 |
| | | 26,124 |
| | | 3,879 |
| | 20,000 | 1,330,287 |
| | | 32,214 |
| | | 972,551 |
| 449 | | 15,076 |
| <u>\$ 9,649</u> | <u>\$ 20,000</u> | <u>\$ 2,820,059</u> |
| \$ - | \$ - | \$ 322,356 |
| 49 | | 300,313 |
| | | 103,575 |
| | | 400 |
| | | 91,507 |
| | | 7,483 |
| | | 402,090 |
| | | 515,647 |
| | | 232,294 |
| | | 1,045,083 |
| | 10,079 | 575,960 |
| <u>\$ 49</u> | <u>\$ 10,079</u> | <u>\$ 3,596,708</u> |
| <u>\$ 9,599</u> | <u>\$ 9,921</u> | <u>(776,648)</u> |
| \$ - | | \$ 523,600 |
| | | 564,010 |
| | | (564,010) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 523,600</u> |
| \$ 9,599 | \$ 9,921 | \$ (253,048) |
| \$ 43,570 | \$ 31,132 | \$ 505,042 |
| <u>\$ 53,169</u> | <u>\$ 41,053</u> | <u>\$ 251,994</u> |

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**CRITTENDEN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2005

CRITTENDEN COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance-
Governmental Funds to the Statement of Activities:**

| | |
|--|---------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (253,048) |
| <p>Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p> | |
| Capital Outlay | 1,045,083 |
| Depreciation Expense | (721,740) |
| <p>The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.</p> | |
| Financing Obligation Proceeds | (523,600) |
| Financing Obligation Payments | 210,897 |
| <p>Sale of Capital Assets are different because Governmental Funds report these proceeds as revenues. However, in the Statement of Activities only the difference between the sale proceeds and the adjusted basis of the assets is reported.</p> | |
| | <u>(175,394)</u> |
| Change in Net Assets of Governmental Activities | <u>\$ (417,802)</u> |

THIS PAGE LEFT BLANK INTENTIONALLY

CRITTENDEN COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

CRITTENDEN COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2005

| | <u>Business-Type Activities - Enterprise Fund</u> |
|---------------------------|---|
| | <u>Jail Canteen Fund</u> |
| Assets | |
| Current Assets: | |
| Cash and Cash Equivalents | \$ 1,530 |
| Total Current Assets | <u>\$ 1,530</u> |
| Total Assets | <u>\$ 1,530</u> |
| Net Assets | |
| Unrestricted | \$ 1,530 |
| Total Net Assets | <u><u>\$ 1,530</u></u> |

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CRITTENDEN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

CRITTENDEN COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

| | Business-Type Activities - Enterprise Fund |
|------------------------------|---|
| | Jail Canteen Fund |
| Operating Revenues | |
| Canteen Receipts | \$ 802 |
| Total Operating Revenues | \$ 802 |
| Change In Net Assets | \$ 802 |
| Total Net Assets - Beginning | \$ 728 |
| Total Net Assets - Ending | \$ 1,530 |

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

CRITTENDEN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

CRITTENDEN COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2005

| | Business-Type Activities - Enterprise Fund | Jail Canteen Fund |
|---|---|-------------------------|
| Cash Flows From Operating Activities | | |
| Receipts From Customers | \$ 802 | |
| Net Cash Provided By Operating Activities | 802 | |
| | | |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ 802 | |
| Cash and Cash Equivalents - July 1 | 728 | |
| Cash and Cash Equivalents - June 30 | \$ 1,530 | |
| | | |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities | | |
| <hr style="border: 0.5px solid black;"/> | | |
| Operating Income (Loss) | \$ 802 | |
| Net Cash Provided By Operating Activities | \$ 802 | |

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

| | | |
|----------|---|----|
| NOTE 1. | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES | 25 |
| NOTE 2. | DEPOSITS | 31 |
| NOTE 3. | SHORT-TERM DEBT-PRIMARY GOVERNMENT..... | 31 |
| NOTE 4. | LINE OF CREDIT-DISCRETLEY PRESENTED COMPONENT UNIT..... | 32 |
| NOTE 5. | CAPTIAL ASSETS | 33 |
| NOTE 6. | LONG-TERM DEBT-PRIMARY GOVERNMENT | 34 |
| NOTE 7. | LONG-TERM DEBT-DISCRETLEY PRESENTED COMPONENT UNIT | 36 |
| NOTE 8. | INTEREST ON LONG-TERM DEBT AND FINANCING OBLIGATIONS..... | 37 |
| NOTE 9. | EMPLOYEE RETIREMENT | 37 |
| NOTE 10. | DEFERRED COMPENSATION..... | 38 |
| NOTE 11. | INSURANCE | 38 |
| NOTE 12. | TRANSPORTATION GRANT..... | 38 |
| NOTE 13. | DEFICIT FUND BALANCE..... | 38 |
| NOTE 14. | PRIOR-PERIOD ADJUSTMENT-COMPONENT UNIT..... | 38 |

CRITTENDEN COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, financial statements of the Crittenden County Hospital, Inc., a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Crittenden County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Discretely Presented Component Unit

The component unit column in the combined financial statements include the data of the following organizations. They are reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize these organizations' separateness from the fiscal court's primary government.

Crittenden County Hospital, Inc.

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

The Crittenden County Fiscal Court has the authority to appoint a voting majority of the Crittenden County Hospital, Inc.'s governing board. The Crittenden County Hospital is engaged in providing medical care in the Crittenden County area. The Crittenden County Hospital, Inc. fiscal year ends September 30, therefore, the information provided is as of and for the year ended September 30, 2005.

Audited financial statements for the Crittenden County Hospital, Inc., a discretely presented component unit, may be requested by contacting the Crittenden County Hospital, Inc., PO Box 386 Marion, Kentucky 42064.

C. Crittenden County Elected Officials Not Part Of Crittenden County, Kentucky

Kentucky law provides for election of the officials below from the geographic area constituting Crittenden County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Crittenden County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Local Governmental and Economic Assistance Fund-The primary purpose of this fund is to account for general health and sanitation, social services, and economic assistance expenses of the county. The primary sources of revenue are state grants, coal, and mineral severance taxes, landfill user fees, and recreational area user fees. The Governor's Office of Local Development requires the fiscal court to maintain these receipts and expenditures separately.

E-911 Board Fund - The purpose of this fund is to account for funds received from other governments related to 911 telephone fee.

E-911 Wireless Fund - The primary purpose of this fund is to account for funds received from other governments related to 911 surcharges on wireless telecommunications.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds:

The Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, E-911 Board Fund, and E-911 Wireless Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Presentation of Component Unit

The financial statements present the following major discretely presented component unit:

Crittenden County Hospital, Inc.

The component unit is presented in a separate column in on the Statement of Net Assets and the Statement of Activities to emphasize this organization's separateness from the fiscal court's primary government.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

| | Capitalization Threshold | Useful Life (Years) |
|-------------------------------------|-----------------------------|------------------------|
| Land Improvements | \$ 12,500 | 10-60 |
| Buildings and Building Improvements | \$ 25,000 | 10-75 |
| Machinery and Equipment | \$ 1,000 | 3-25 |
| Vehicles | \$ 1,000 | 3-25 |
| Infrastructure | \$ 20,000 | 10-50 |

H. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

Note 1. Summary of Significant Accounting Policies (Continued)

I. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

J. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Crittenden County Hospital, Inc. (discretely presented component unit) funds are not budgeted by the county. The Governor's Office of Local Development does not require the County to report or budget these funds.

K. Jointly Governed Organizations

A regional government or other multi-government arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility are considered to be jointly governed organizations. Based upon these criteria, the following is considered to be jointly governed organizations of the Crittenden County Fiscal Court: The Marion-Crittenden County Industrial Development Authority and the Crittenden-Livingston County Water District.

Note 2. Deposits

The primary government and component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk- Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. Crittenden County Fiscal Court does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2005, all deposits of the primary government were covered by FDIC insurance or a property executed collateral security agreement. As of September 30, 2005, all deposits of the Crittenden County Hospital were covered by FDIC insurance or a property executed collateral security agreement.

Note 3. Short-Term Debt-Primary Government

A. Kentucky Advance Revenue Program

In July 2004, the Crittenden County Fiscal Court participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing notes in the amount of \$451,900 and \$303,700 for the Road and Bridge Fund and the General Fund, respectively, with principal being due in January 2005. While the County did not use the borrowed funds in order to meet current General Fund and Road and Bridge Fund expenses, they were able to reinvest the funds and receive net interest earnings for the Kentucky Association of Counties Kentucky Advance Revenue Program of \$2,321.

B. Trucks

In September 2004, the Crittenden County Fiscal Court entered into a one year agreement with the Kentucky Development Districts Financing Trust for the purpose of financing the purchase of two trucks. The issue amount of the lease was \$181,100 with an interest rate of 3.25 percent. Interest and fees paid for the year were \$5,154. In June 2005, these trucks were sold and the lease agreement was satisfied.

In June 2005, the Crittenden County Fiscal Court entered into a one year agreement with the Kentucky Development Districts Financing Trust for the purpose of financing the purchase of two trucks. The issue amount of the lease was \$180,000 with an interest rate of 2.25 percent. Interest and fees paid for the year were \$4,570.

C. Kentucky Association of Counties Leasing Trust Program (KACoLT)

In June 2005, the Crittenden County Fiscal Court entered into a short term borrowing agreement with the Kentucky Association of Counties Leasing Trust for a road project. The amount of issue was \$100,000 with an interest rate of 4.25 percent. Principal and interest were due on October 20, 2005.

Note 3. Short-Term Debt-Primary Government (Continued)

D. Jail Land Purchase

In August 2004, the Crittenden County Fiscal Court entered into a short-term note agreement with Farmers Bank & Trust Company for the purpose of financing the purchase of land for the construction of a new jail facility. The amount of issue was \$62,500 with an interest rate of 4.75 percent. Principal and interest were due in August 2005.

E. Changes in Short-Term Debt

Primary Government

| | Beginning Balance | Additions | Reductions | Ending Balance |
|----------------------------------|----------------------|--------------|------------|-------------------|
| <u>Governmental Activities:</u> | | | | |
| Kentucky Advance Revenue Program | \$ - | \$ 755,600 | \$ 755,600 | \$ - |
| KADD-2004 | | 181,100 | 181,100 | - |
| KADD-2005 | | 180,000 | | 180,000 |
| KACoLT | | 100,000 | | 100,000 |
| Farmers Bank & Trust | - | 62,500 | - | 62,500 |
| Governmental Activities | | | | |
| Short-term Debt | \$ 0 | \$ 1,279,200 | \$ 936,700 | \$ 342,500 |

Note 4. Line of Credit-Discretely Presented Component Unit

The Crittenden County Hospital, Inc. periodically borrows funds from banks to finance capital assets acquisitions and construction on an interim basis. The line of credit, with a maximum borrowing of \$355,000, bears interest at 6.25 percent, is secured by the accounts receivable of the Hospital and matures in May 2006.

The following is a summary of the line of credit transactions for the year ended September 30, 2005:

Component Unit

| | Beginning Balance | Additions | Reductions | Ending Balance |
|---|----------------------|------------|------------|-------------------|
| <u>Crittenden County Hospital, Inc.</u> | | | | |
| Line of Credit | \$ - | \$ 355,000 | \$ - | \$ 355,000 |

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

| | Reporting Entity | | | Ending Balance |
|--|----------------------|------------|--------------|-------------------|
| | Beginning Balance | Increases | Decreases | |
| Primary Government: | | | | |
| <u>Governmental Activities:</u> | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land and Land Improvements | \$ 50,000 | \$ 62,500 | \$ - | \$ 112,500 |
| Total Capital Assets Not Being Depreciated | \$ 50,000 | \$ 62,500 | \$ - | \$ 112,500 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings | \$ 5,278,100 | \$ - | \$ - | \$ 5,278,100 |
| Other Equipment | 402,636 | | | 402,636 |
| Vehicles and Equipment | 1,806,664 | 427,103 | (175,394) | 2,058,373 |
| Infrastructure | 30,240,580 | 555,480 | | 30,796,060 |
| Total Capital Assets Being Depreciated | \$ 37,727,980 | \$ 982,583 | \$ (175,394) | \$ 38,535,169 |
| Less Accumulated Depreciation For: | | | | |
| Buildings | \$ 2,820,022 | \$ 86,954 | \$ - | \$ 2,906,976 |
| Other Equipment | 283,585 | 40,435 | | 324,020 |
| Vehicles and Equipment | 1,541,891 | 72,791 | | 1,614,682 |
| Infrastructure | 4,098,646 | 521,560 | | 4,620,206 |
| Total Accumulated Depreciation | \$ 8,744,144 | \$ 721,740 | \$ - | \$ 9,465,884 |
| Total Capital Assets, Being Depreciated, Net | \$ 28,983,836 | \$ 260,843 | \$ (175,394) | \$ 29,069,285 |
| Governmental Activities Capital Assets, Net | \$ 29,033,836 | \$ 323,343 | \$ (175,394) | \$ 29,181,785 |

Depreciation expense was charged to functions of the primary government as follows:

| | |
|--|------------|
| General Government | \$ 82,720 |
| Protection to Persons and Property | 62,708 |
| Roads, Including Depreciation of General Infrastructure Assets | 576,312 |
| Total Depreciation Expense - Governmental Activities | \$ 721,740 |

Note 5. Capital Assets-(Continued)

Capital asset activity for discretely presented component units for the year ended September 30, 2005 was as follows:

| | Reporting Entity | | | Ending Balance |
|--|-------------------|--------------|----------------|----------------|
| | Beginning Balance | Increases | Decreases | |
| Capital Assets Not Being Depreciated: | | | | |
| Consturction in Progress | \$ 746,527 | \$ 264,411 | \$ (980,938) | \$ 30,000 |
| Land and Land Improvements | 848,581 | - | (355,461) | 493,120 |
| Total Capital Assets Not Being Depreciated | \$ 1,595,108 | \$ 264,411 | \$ (1,336,399) | \$ 523,120 |
| Capital Assets, Being Depreciated: | | | | |
| Building and Improvements | \$ 11,231,986 | \$ 371,408 | \$ (5,887,069) | \$ 5,716,325 |
| Equipment and Furniture | 12,264,847 | 948,637 | (1,386,930) | 11,826,554 |
| Total Capital Assets Being Depreciated | \$ 23,496,833 | \$ 1,320,045 | \$ (7,273,999) | \$ 17,542,879 |
| Less Accumulated Depreciation For: | | | | |
| Other Equipment | \$ 16,413,861 | \$ 875,460 | \$ (3,770,478) | \$ 13,518,843 |
| Total Capital Assets, Being Depreciated, Net | \$ 7,082,972 | \$ 444,585 | \$ (3,503,521) | \$ 4,024,036 |
| Capital Assets, Net | \$ 8,678,080 | \$ 708,996 | \$ (4,839,920) | \$ 4,547,156 |

Depreciation expense was charged to functions of the discretely presented major component units as follows:

| | |
|--|---------------------|
| Crittenden County Hospital, Inc | <u>\$ 1,320,045</u> |
| Total Depreciation Expense-Componet Unit | <u>\$ 1,320,045</u> |

Note 6. Long-term Debt-Primary Government

A. Road Grader

On February 8, 2000, the Crittenden County Fiscal Court entered into an agreement with Brandeis Machinery and Supply Company for the purchase of a road grader for the county road department. The issue amount of the lease was \$108,900 with an interest rate of 5.34 percent. Principal and interest payments are made monthly. The principal balance as of June 30, 2005 was \$13,936.

Note 6. Long-term Debt-Primary Government (Continued)

B. Road Grader-Continued

The following is a summary of the remaining principal and interest requirements as of June 30, 2005:

| Fiscal Year Ended June 30 | Governmental Activities | |
|------------------------------|-------------------------|----------|
| | Principal | Interest |
| 2006 | \$ 13,936 | \$ 252 |
| Totals | \$ 13,936 | \$ 252 |

B. Detention Center Facility

The Crittenden County Fiscal Court entered an agreement with the Kentucky Development Districts Financing Trust on November 19, 1997 for the purpose of financing renovations to the Crittenden County Detention Facility. The issue amount of the lease was \$88,000 with an interest rate of 6.24 percent. Principal and interest payments are made twice each year during November and May. The principal balance of the lease as of June 30, 2005 was \$27,300.

The following is a summary of the remaining principal and interest requirements as of June 30, 2005:

| Fiscal Year Ended June 30 | Governmental Activities | |
|------------------------------|-------------------------|----------|
| | Principal | Interest |
| 2006 | \$ 10,400 | \$ 1,544 |
| 2007 | 11,100 | 883 |
| 2008 | 5,800 | 181 |
| Totals | \$ 27,300 | \$ 2,608 |

C. Changes In Long-term Debt-Primary Government

Long-term liability activity for the year ended June 30, 2005, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|-----------|------------|-------------------|------------------------|
| Primary Government: | | | | | |
| <u>Governmental Activities:</u> | | | | | |
| Financing Obligations | \$ 71,034 | \$ - | \$ 29,798 | \$ 41,236 | \$ 24,336 |
| Governmental Activities Long-term Debts | \$ 71,034 | \$ - | \$ 29,798 | \$ 41,236 | \$ 24,336 |

Note 7. Long-Term Debt-Discretely Presented Component Unit

A. First-Mortgage Refunding and Improvements-Revenue Bonds-Series 1995

In December 2004, the Hospital defeased its outstanding 1995 bonds in the total principal amount of \$4,495,000. This advance refunding transaction resulted in an extinguishment of debt since the Hospital was legally released from its obligation on the 1995 bonds at the time of the defeasance. The bonds were fully paid off at the time of defeasance.

B. Notes Payable

This obligation consists of two notes payable secured by certain equipment. The notes are due in 2010 with interest rates imputed at 6.5 percent. The debt service requirements as of September 30, 2005, are as follows:

| Fiscal Year Ended September 30 | Componet Unit | |
|-----------------------------------|-------------------|-------------------|
| | Principal | Interest |
| 2006 | \$ 143,916 | \$ 42,557 |
| 2007 | 152,805 | 33,668 |
| 2008 | 162,270 | 24,203 |
| 2009 | 172,351 | 14,122 |
| 2010 | 138,764 | 3,663 |
| Totals | <u>\$ 770,106</u> | <u>\$ 118,213</u> |

C. Capital Lease Obligation

The Hospital is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at September 30, 2005, totaled \$168,100, net of accumulated depreciation of \$19,798. The following is schedule by year of future minimum lease payments under the capital lease including interest at rates of 6% to 9.25% together with the present value of the future minimum lease payments as of September 30, 2005:

| Fiscal Year Ended September 30 | |
|---|-------------------|
| 2006 | \$ 58,287 |
| 2007 | 58,287 |
| 2008 | 17,738 |
| 2009 | 9,536 |
| 2010 | 1,626 |
| Total minimum lease payments | 145,474 |
| Less amount representing interest | <u>15,161</u> |
| Present value of future minimum lease payments | <u>\$ 130,313</u> |

Note 7. Long-Term Debt-Discretely Presented Component Unit-(Continued)

D. Changes In Long-term Debt-Discretely Presented Component Unit

Long-term debt activity for the year ended September 30, 2005, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|-------------------|---------------------|-------------------|------------------------|
| Crittenden County Hospital, Inc | | | | | |
| <u>Component Unit</u> | | | | | |
| Revenue Bonds Payable | \$ 4,750,000 | \$ - | \$ 4,750,000 | \$ - | \$ - |
| Note Payable | | 811,289 | 41,183 | 770,106 | 149,273 |
| Capital Lease | | 168,100 | 37,787 | 130,313 | 49,229 |
| <hr/> | | | | | |
| Component Unit | | | | | |
| Long-term Debts | <u>\$ 4,750,000</u> | <u>\$ 979,389</u> | <u>\$ 4,828,970</u> | <u>\$ 900,419</u> | <u>\$ 198,502</u> |

Note 8. Interest On Long-term and Short-term Debt and Financing Obligations

Interest on Long-Term and Short Term Debt on the Statement of Activities includes \$21,396 in interest on financing obligations.

Note 9. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 10. Deferred Compensation

The Crittenden County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 11. Insurance

For the fiscal year ended June 30, 2005, Crittenden County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 12. Transportation Grant

The Ohio River Ferry Authority, Incorporated through the Crittenden County Fiscal Court obtained a grant from the Kentucky Transportation Cabinet to provide for the operations of a ferry service across the Ohio River between Crittenden County, Kentucky and Hardin County, Illinois. On November 8, 1994, the Ohio River Ferry Authority, Incorporated entered into an agreement with Cave-In-Rock Ferry Company, Incorporated to operate the ferry service. Grant receipts for the fiscal year were \$515,643 and expenditures for the fiscal year 2005 were \$515,643.

Note 13. Deficit Fund Balance

The Jail Fund had a deficit fund balance as of June 30, 2005 of \$210.

Note 14. Prior-Period Adjustment-Component Unit

Fiscal year 2004 financial statements have been restated by \$673,662 for the impairment loss on the nursing home operations. The effect of the error on the 2004 financial statements includes a decrease in net capital assets, net assets and the changes in net assets.

CRITTENDEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2005

CRITTENDEN COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2005

| | GENERAL FUND | | | |
|---|---------------------|---------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 426,200 | \$ 426,200 | \$ 430,729 | \$ 4,529 |
| Excess Fees | 25,193 | 25,193 | 26,124 | 931 |
| Licenses and Permits | 100 | 2,646 | 3,879 | 1,233 |
| Intergovernmental Revenue | 59,670 | 90,183 | 101,685 | 11,502 |
| Charges for Services | 2,800 | 2,800 | 2,070 | (730) |
| Miscellaneous | 7,700 | 316,149 | 256,317 | (59,832) |
| Interest | 6,000 | 6,000 | 5,114 | (886) |
| Total Revenues | <u>\$ 527,663</u> | <u>\$ 869,171</u> | <u>\$ 825,918</u> | <u>\$ (43,253)</u> |
| EXPENDITURES | | | | |
| General Government | \$ 281,710 | \$ 289,884 | \$ 312,356 | \$ (22,472) |
| Protection to Persons and Property | 39,609 | 89,816 | 67,128 | 22,687 |
| General Health and Sanitation | 56,159 | 62,197 | 61,679 | 519 |
| Recreation and Culture | | 8,669 | 8,669 | |
| Debt Service | | | 3,316 | (3,316) |
| Capital Outlay | | | 25,817 | (25,817) |
| Administration | 278,223 | 646,643 | 480,229 | 166,414 |
| Total Expenditures | <u>\$ 655,701</u> | <u>\$ 1,097,209</u> | <u>\$ 959,194</u> | <u>\$ 138,015</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>\$ (128,038)</u> | <u>\$ (228,038)</u> | <u>\$ (133,276)</u> | <u>\$ 94,762</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Financing Obligation Proceeds | \$ - | \$ 100,000 | \$ 100,000 | \$ - |
| Transfers From Other Funds | 189,782 | 189,782 | 279,146 | 89,364 |
| Transfers To Other Funds | (161,744) | (161,744) | (284,864) | (123,120) |
| Total Other Financing Sources (Uses) | <u>\$ 28,038</u> | <u>\$ 128,038</u> | <u>\$ 94,282</u> | <u>\$ (33,756)</u> |
| Net Changes in Fund Balance | \$ (100,000) | \$ (100,000) | \$ (38,994) | \$ 61,006 |
| Fund Balance - Beginning | <u>\$ 100,000</u> | <u>\$ 100,000</u> | <u>\$ 41,572</u> | <u>\$ (58,428)</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 2,578</u> | <u>\$ 2,578</u> |

CRITTENDEN COUNTY
 BUDGETARY COMPARISON SCHEDULES
 Required Supplementary Information - Modified Cash Basis
 For The Year Ended June 30, 2005
 (Continued)

| | ROAD FUND | | | |
|--|---------------------|---------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental Revenue | \$ 818,782 | \$ 1,235,670 | \$ 1,057,136 | \$ (178,534) |
| Miscellaneous | 526,204 | 537,680 | 713,529 | 175,849 |
| Interest | 1,500 | 1,500 | 8,532 | 7,032 |
| Total Revenues | <u>\$ 1,346,486</u> | <u>\$ 1,774,850</u> | <u>\$ 1,779,197</u> | <u>\$ 4,347</u> |
| EXPENDITURES | | | | |
| General Health and Sanitation | \$ - | \$ 40,765 | \$ 29,696 | \$ 11,069 |
| Transportation Facilities and Services | 8,000 | 8,000 | 7,483 | 517 |
| Roads | 909,951 | 1,488,049 | 401,138 | 1,086,911 |
| Other Transportation Facilities and Services | 524,204 | 481,795 | 515,647 | (33,852) |
| Debt Service | | | 217,012 | (217,012) |
| Capital Outlay | 100 | 1,712 | 956,766 | (955,054) |
| Administration | 64,449 | 90,741 | 52,408 | 38,333 |
| Total Expenditures | <u>\$ 1,506,704</u> | <u>\$ 2,111,062</u> | <u>\$ 2,180,150</u> | <u>\$ (80,674)</u> |
| Excess (Deficiency) of Revenues Over | | | | |
| Expenditures Before Other | | | | |
| Financing Sources (Uses) | <u>\$ (160,218)</u> | <u>\$ (336,212)</u> | <u>\$ (400,953)</u> | <u>\$ (76,327)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Financing Obligation Proceeds | \$ - | \$ 175,994 | \$ 361,100 | \$ 185,106 |
| Transfers From Other Funds | | | 89,364 | 89,364 |
| Transfers To Other Funds | (189,782) | (189,782) | (279,146) | (89,364) |
| Total Other Financing Sources (Uses) | <u>\$ (189,782)</u> | <u>\$ (13,788)</u> | <u>\$ 171,318</u> | <u>\$ 185,106</u> |
| Net Changes in Fund Balance | <u>\$ (350,000)</u> | <u>\$ (350,000)</u> | <u>\$ (229,635)</u> | <u>\$ 120,365</u> |
| Fund Balance - Beginning | <u>\$ 350,000</u> | <u>\$ 350,000</u> | <u>\$ 300,097</u> | <u>\$ (49,903)</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 70,462</u> | <u>\$ 70,462</u> |

CRITTENDEN COUNTY
 BUDGETARY COMPARISON SCHEDULES
 Required Supplementary Information - Modified Cash Basis
 For The Year Ended June 30, 2005
 (Continued)

| | JAIL FUND | | | |
|---|---------------------|---------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental Revenue | \$ 36,111 | \$ 36,766 | \$ 46,927 | \$ 10,161 |
| Charges for Services | 31,000 | 31,000 | 30,144 | (856) |
| Miscellaneous | 6,500 | 6,500 | 2,705 | (3,795) |
| Interest | 200 | 200 | 50 | (150) |
| Total Revenues | <u>\$ 73,811</u> | <u>\$ 74,466</u> | <u>\$ 79,826</u> | <u>\$ 5,360</u> |
| EXPENDITURES | | | | |
| Protection to Persons and Property | \$ 184,906 | \$ 249,929 | \$ 230,335 | \$ 19,594 |
| Debt Service | | | 11,966 | (11,966) |
| Capital Outlay | 12,000 | 11,965 | 62,500 | (50,535) |
| Administration | 38,649 | 36,816 | 33,244 | 3,572 |
| Total Expenditures | <u>\$ 235,555</u> | <u>\$ 298,710</u> | <u>\$ 338,045</u> | <u>\$ (39,335)</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>\$ (161,744)</u> | <u>\$ (224,244)</u> | <u>\$ (258,219)</u> | <u>\$ (33,975)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Financing Obligation Proceeds | \$ - | \$ 62,500 | \$ 62,500 | \$ - |
| Transfers From Other Funds | 161,744 | 161,744 | 195,500 | 33,756 |
| Total Other Financing Sources (Uses) | <u>\$ 161,744</u> | <u>\$ 224,244</u> | <u>\$ 258,000</u> | <u>\$ 33,756</u> |
| Net Changes in Fund Balance | \$ - | \$ - | \$ (219) | (219) |
| Fund Balance - Beginning | \$ - | \$ - | \$ 9 | \$ 9 |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ (210)</u> | <u>\$ (210)</u> |

CRITTENDEN COUNTY
 BUDGETARY COMPARISON SCHEDULES
 Required Supplementary Information - Modified Cash Basis
 For The Year Ended June 30, 2005
 (Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|--|---|
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ 500 | \$ 500 | \$ | \$ (500) |
| Intergovernmental Revenue | 43,000 | 115,215 | 104,540 | (10,675) |
| Interest | 1,500 | 1,500 | 931 | (569) |
| Total Revenues | <u>\$ 45,000</u> | <u>\$ 117,215</u> | <u>\$ 105,471</u> | <u>\$ (11,744)</u> |
| EXPENDITURES | | | | |
| General Government | \$ 10,000 | \$ 10,000 | \$ 10,000 | \$ - |
| Protection to Persons and Property | 3,200 | 3,200 | 2,800 | 400 |
| General Health and Sanitation | 12,600 | 12,600 | 12,200 | 400 |
| Social Services | 900 | 900 | 400 | 500 |
| Recreation and Culture | 14,900 | 83,638 | 82,838 | 800 |
| Roads | 64,000 | 44,000 | 953 | 43,047 |
| Administration | 5,400 | 28,877 | | 28,877 |
| Total Expenditures | <u>\$ 111,000</u> | <u>\$ 183,215</u> | <u>\$ 109,191</u> | <u>\$ 74,024</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>\$ (66,000)</u> | <u>\$ (66,000)</u> | <u>\$ (3,720)</u> | <u>\$ 62,280</u> |
| Net Changes in Fund Balances | \$ (66,000) | \$ (66,000) | \$ (3,720) | \$ 62,280 |
| Fund Balances - Beginning | <u>\$ 66,000</u> | <u>\$ 66,000</u> | <u>\$ 88,662</u> | <u>\$ 22,662</u> |
| Fund Balances - Ending | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 84,942</u> | <u>\$ 84,942</u> |

CRITTENDEN COUNTY
 BUDGETARY COMPARISON SCHEDULES
 Required Supplementary Information - Modified Cash Basis
 For The Year Ended June 30, 2005
 (Continued)

| | E-911 BOARD FUND | | | |
|---|-------------------------|--------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Taxes | \$ - | \$ 9,200 | \$ 9,200 | \$ - |
| Interest | | | 448 | 448 |
| Total Revenues | <u>\$ 0</u> | <u>\$ 9,200</u> | <u>\$ 9,648</u> | <u>\$ 448</u> |
| EXPENDITURES | | | | |
| Protection to Persons and Property | \$ 16,000 | \$ 41,251 | \$ 49 | \$ 41,202 |
| Administration | 2,368 | 11,519 | - | 11,519 |
| Total Expenditures | <u>\$ 18,368</u> | <u>\$ 52,770</u> | <u>\$ 49</u> | <u>\$ 52,721</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>\$ (18,368)</u> | <u>\$ (43,570)</u> | <u>\$ 9,599</u> | <u>\$ 53,169</u> |
| Net Changes in Fund Balances | \$ (18,368) | \$ (43,570) | \$ 9,599 | \$ 53,169 |
| Fund Balances - Beginning | <u>\$ 18,368</u> | <u>\$ 43,570</u> | <u>\$ 43,570</u> | <u>\$ -</u> |
| Fund Balances - Ending | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 53,169</u></u> | <u><u>\$ 53,169</u></u> |

CRITTENDEN COUNTY
 BUDGETARY COMPARISON SCHEDULES
 Required Supplementary Information - Modified Cash Basis
 For The Year Ended June 30, 2005
 (Continued)

| E-911 WIRELESS FUND | | | | |
|---|--------------------|--------------------|--|---|
| | Budgeted Amounts | | Actual Amounts, (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental Revenue | \$ 1,132 | \$ 21,132 | \$ 20,000 | \$ (1,132) |
| Total Revenues | <u>\$ 1,132</u> | <u>\$ 21,132</u> | <u>\$ 20,000</u> | <u>\$ (1,132)</u> |
| EXPENDITURES | | | | |
| Administration | \$ 1,132 | \$ 51,132 | \$ 10,079 | \$ 41,053 |
| Total Expenditures | <u>\$ 1,132</u> | <u>\$ 51,132</u> | <u>\$ 10,079</u> | <u>\$ 41,053</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>\$ -</u> | <u>\$ (30,000)</u> | <u>\$ 9,921</u> | <u>\$ 39,921</u> |
| Net Changes in Fund Balances | \$ - | \$ (30,000) | \$ 9,921 | \$ 39,921 |
| Fund Balances - Beginning | <u>\$ -</u> | <u>\$ 30,000</u> | <u>\$ 31,132</u> | <u>\$ 1,132</u> |
| Fund Balances - Ending | <u><u>\$ 0</u></u> | <u><u>\$ 0</u></u> | <u><u>\$ 41,053</u></u> | <u><u>\$ 41,053</u></u> |

CRITTENDEN COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2005

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

THIS PAGE LEFT BLANK INTENTIONALLY

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Fred Brown, Crittenden County Judge/Executive
Members of the Crittenden County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented components unit, each major fund, and the aggregate remaining fund information of Crittenden County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated June 13, 2006. We did not audit the financial statements of the Crittenden County Hospital, Inc., a discretely presented component unit. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Crittenden County Hospital, Inc., is based on the report of the other auditors. Those financial statements reflect 100% of assets and revenues of the discretely presented component unit opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crittenden County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we considered to be a material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Crittenden County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of material noncompliance or other matter that is required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Krista L. Romaine, CPA

Krista L. Romaine, CPA
Romaine & Associates, PLLC

Audit fieldwork completed -
June 13, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CRITTENDEN COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2005**

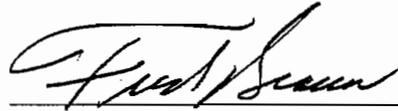
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CRITTENDEN COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2005

The Crittenden County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer